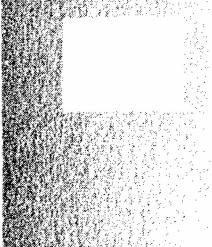


*Commodore*

■ ■ ■

# 1963 annual report



COMMODORE BUSINESS  
MACHINES (CANADA) LTD.



**OFFICERS**

C. Powell Morgan — Chairman of the Board  
Jack Tramiel — New York — President  
Manfred Kapp — Toronto — Secretary-Treasurer  
Fenimore Fisher — New York — Vice President

**DIRECTORS**

C. Powell Morgan — Toronto — Executive  
Jack Tramiel — New York — Executive  
Manfred Kapp — Toronto — Executive  
J. Aubrey Medland — Toronto — Executive  
Fenimore Fisher — New York — Executive  
Harry Wagman — Toronto — Chartered Accountant  
Carman G. King — Toronto — Investment Dealer  
Douglas R. Annett — Toronto — Investment Dealer  
Carl M. Solomon — Toronto — Solicitor

**SUBSIDIARY COMPANIES**

Commodore Business Machines, Inc. — New York, N.Y.  
Commodore Drycopy, Inc. — New York, N.Y.  
Commodore Drycopy, Ltd. — Toronto, Ontario  
Willy Feiler Zahl-Und Rechenwerke GMBH — West Germany  
Humber Typewriter & Business Equipment Ltd. — Toronto, Ontario

**TRANSFER AGENT  
AND REGISTRAR**

The Eastern Trust Company, Toronto and Montreal

**FOR DEBENTURES**

Montreal Trust Company, Toronto and Montreal

**AUDITOR**

Rose & Harrison, Chartered Accountants, Toronto

**COUNSEL**

Solomon & Singer — Toronto

**LISTING**

Canadian Stock Exchange — Montreal

## P R E S I D E N T ' S M E S S A G E

### To The Shareholders:

I am happy to report that our past fiscal year has been one of significant growth and expansion, the benefits of which will accrue to the company in the months and years ahead. During 1963, Commodore successfully completed additional financing, acquired a leading West German manufacturer of office equipment, purchased a substantial interest in an American precision manufacturer of military and civilian equipment and expanded sales and profits over the previous year.

In order to properly pass on to our shareholders the results of our fiscal year ended June 30th, 1963, I feel a word of explanation is necessary. The consolidated financial statements tell only part of the story, and therefore I shall give you my comments on a group basis.

The group consisting of:

- (1) Audited financial statement of the companies operating under the Commodore name:

Commodore Business Machines (Canada) Ltd., Toronto  
 Commodore Drycopy Limited, Toronto  
 Commodore Business Machines Inc., New York  
 Commodore Drycopy Inc., New York, and Humber  
 Typewriter & Business Equipment Ltd., Toronto

Plus (2) Unaudited results of the operations of the following companies to the extent of our interest:

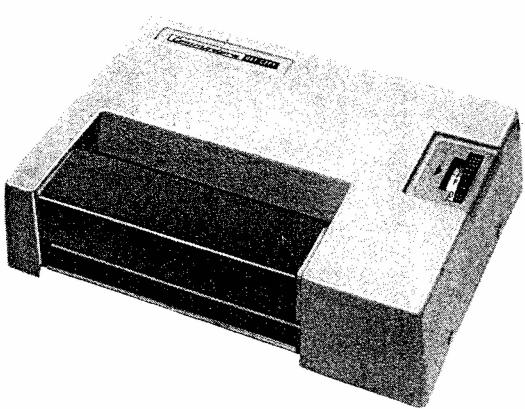
Willy Feiler Zahl-Und Rechenwerke GMBH, West Germany (100%) 6 months, to June 30th, 1963  
 Analogue Controls Inc., New York (49.4%) 8 months, to June 30th, 1963

It is not likely that dividends will be received from the companies in (2) above, in the coming year, as their profits will be re-invested to assist in their expansion, which makes it all the more necessary to deal with the figures on a group basis.

### GROUP CONSOLIDATED FINANCIAL HIGHLIGHTS

	1962	1963 *
Net Sales .....	\$ 3,575,419.—	\$ 6,141,032.—
Profit before Taxes .....	226,108.—	403,249.—
Net Profit .....	150,938.—	285,280.—
Earning per common share outstanding .....	18¢	35¢
Common shares outstanding at year end .....	816,000.—	816,000.—

\*Includes Willy Feiler Zahl-Und Rechenwerke GMBH (6 months unaudited) and Analogue Controls Inc. (8 months unaudited, to the extent of Commodore's interest).



1.

Significantly, group Consolidated sales and earnings were at record levels. Earnings were \$285,280, equivalent to 35¢ per common share, up 90% from the comparable year ago period, when net earnings totalled \$150,938 or 18¢ per common share. Sales increased 70% to \$6,141,032 from the \$3,575,419 reported in fiscal 1962.

The past year has mainly been devoted to consolidate and strengthen the distribution of our main current product line of typewriters, adding machines and copying machines. The intense activity of our company's sales and technical staff, as well as our concentrated advertising and direct mail campaign, have no doubt been the major reason for the continued increase in sales and distribution outlets. We can now say that our products, as well as the COMMODORE name, are well established on the North American market. We are now ready to introduce the new models and products which have been assured to us through our recent manufacturing acquisitions.

Through the aggressive expansion programs of MACY'S and BAMBERGERS, new stores have been opened in suburban New York and New Jersey, thus further increasing the number of leased business machines Departments operated by your company within these two establishments. The result of these activities has been a substantial increase of our sales in the leased outlets and we now have one of the largest retail networks of any company in this field.

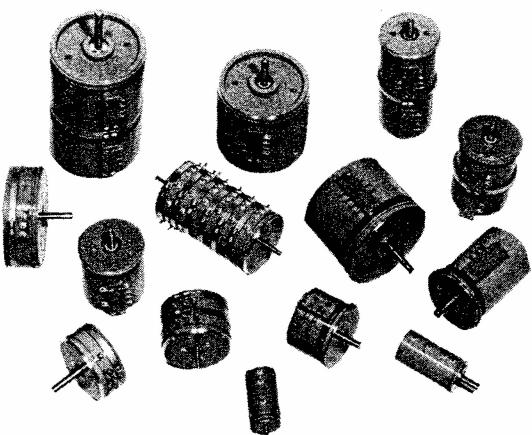
In Canada, we have further strengthened our distribution facilities through the acquisition of Humber Typewriter & Business Equipment Co. Ltd., a small but efficient wholesale distributing company. Its integration into the Commodore organization has helped us in our efforts to give more efficient and effective service to our customers. Our business with the large department stores is continuing at an ever increasing rate and the acceptance of our products is evidenced through a continuous backlog of orders.

With the continued growth of our industry in general, and the expansion of our distribution facilities, there is no doubt that our current products and those we intend to introduce in the months to come, will enjoy an ever increasing share of the market, which will bring rewarding results to all our shareholders.

The acceptance of our line of office machines and related items, particularly the hand and electric adding machines produced for us in Germany, made it a must that we acquire the facilities and know-how of the Willy Feiler organization. I am pleased to report that after two years of negotiations,



2.



3.



4.

1. COMMODORE Drycopy Copying Machine Model 10A.
2. Assembly of Drycopy Machine in the Hicksville L.I. NY Plant.
3. ANALOGUE'S wide line of Precision Potentiometers feature long life and high reliability.
4. COMMODORE Lightweight Portable Typewriter.

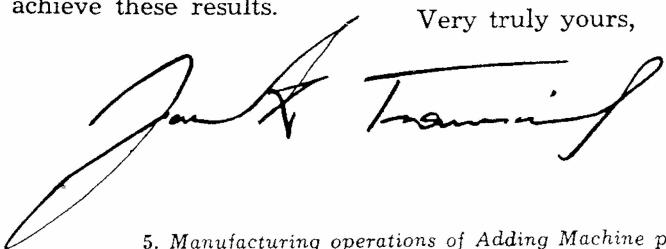
we acquired a 100% interest in Willy Feiler Zahl-Und Rechenwerke, GMBH, with factories in West Berlin, Stuttgart and Offenburg, West Germany. Mr. Willy Feiler, its founder and guiding genius, has signed a management contract to run the operations, and we feel sure that his technical ability as well as that of his assistants, will add new and improved items for us to sell. Presently, the sales of this organization reaches 55 countries throughout the world. Production facilities have been increased to eventually double the output in order to supply the ever increasing demand for these quality products.

The necessity of our company acquiring a United States based company to further develop and improve our Commodore Drycopy machine, was the reason for purchasing a substantial interest in Analogue Controls Inc., Hicksville, New York. Analogue is a precision manufacturer of technical components employed in various military systems. With our own Commodore Drycopy machine now coming off the assembly line at Analogue, we have been able to discontinue the import of the machine from abroad, the result being a more efficient operation, with closer liaison between customers and factory. Because of the technical instruction necessary to the customers, sales have not developed as rapidly as originally anticipated. With the development of our field service organization now in its final stage, steady increase in volume is expected for the current year. In addition, negotiations are presently on the way with substantial companies, for the sale of private label machines. Also, since we have begun manufacturing this machine at Analogue, we have entered the export field. I am pleased to report that good results have been obtained on foreign markets, and large orders are presently on hand.

During the year, \$1,600,000 in subordinated convertible debentures were sold and the public's confidence in taking up these securities was most gratifying.

In conclusion, management looks forward with confidence to fiscal year 1964 and the years beyond. On behalf of the Board of Directors, I wish to extend our thanks and gratitude to all of you who have shown confidence in this company and to all our employees who have worked diligently to achieve these results.

Very truly yours,



President

5. Manufacturing operations of Adding Machine parts, in the  
6. modern, well equipped Feiler Plant.

7. COMMODORE Electric Adding Machine Model E99CB  
with direct subtraction.



## **REPORT (UNAUDITED) \***

Willy Feiler Zahl-Und Rechenwerke GMBH, Berlin, West Germany

For the six months ended June 30th, 1963.

Sales	<i>D. Mark</i> 3,702,128.—	\$ 1,006,608.—
Cost of Sales	3,174,219.—	863,070.—
Gross Profit	527,909.—	143,538.—
Financial Expenses .....	110,677.—	30,093.—
Net Income before Taxes	417,232.—	113,445.—
Net Income	360,917.—	98,133.—

\*All figures have been converted to Canadian Dollar at the rate of exchange prevailing on June 30th - 1963.

## **REPORT (UNAUDITED) \***

Analogue Controls Inc., Hicksville, New York, USA

For the eight months ended June 30th, 1963.

Sales	\$ 1,263,211.—
Cost of Sales	979,177.—
Gross Profit .....	284,034.—
Selling and Administrative Expenses	173,139.—
Financial Expenses .....	21,597.—
Net Income .....	89,298.—

(Commodore's interest: 49.4%)

\*All figures have been converted to Canadian Dollar at the rate of exchange prevailing on June 30th - 1963.

**COMMODORE BUSINESS MACHINES (CANADA) LIMITED  
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES**

**STATEMENT OF CONSOLIDATED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 1963  
(with comparative figures for 1962)**

	1963	1962
<b>REVENUES</b>	<u>\$ 4,510,398.15</u>	<u>\$ 3,575,419.29</u>
<b>GROSS PROFIT</b>	<u>\$ 1,387,939.17</u>	<u>\$ 1,171,772.41</u>
<b>EXPENDITURES</b>		
Selling Expenses — Retail and Wholesale	634,563.90	513,958.67
Managing Directors' Salaries	34,715.25	36,653.20
Directors' Fees .....	2,300.00	—
General and Administrative Expenses	194,191.07	135,187.59
Interest on Long Term Notes .....	44,021.98	29,901.08
Interest on Debentures .....	48,570.27	—
Amortization of Cost of Issue of Debentures	6,819.74	—
Other Financial Expenses	140,022.33	175,429.89
Depreciation .....	25,147.38	20,602.51
Exchange Adjustments	11,896.53	33,931.17
	<u>\$ 1,142,248.45</u>	<u>\$ 945,664.11</u>
<b>PROFIT BEFORE INCOME TAXES</b>	245,690.72	226,108.30
<b>INCOME TAXES</b>	<u>102,656.59</u>	<u>75,169.96</u>
<b>NET PROFIT FOR THE YEAR</b>	<u>\$ 143,034.13</u>	<u>\$ 150,938.34</u>

**STATEMENTS OF CONSOLIDATED SURPLUS  
FOR THE YEAR ENDED JUNE 30, 1963  
(with comparative figures for 1962)**

	EARNED SURPLUS (retained earnings)	1963	1962
<b>Surplus — as at July 1 (opening)</b>		\$119,650.38	\$(27,453.96)
<b>Add — Net Profit for the year</b>		<u>143,034.13</u>	<u>150,938.34</u>
		262,684.51	123,484.38
<b>Deduct — Managing Directors' Life Insurance Premiums</b>		5,111.00	3,834.00
<b>Surplus — as at June 30</b>		<u>\$257,573.51</u>	<u>\$119,650.38</u>
	CONTRIBUTED SURPLUS (By way of Cash)		
<b>Surplus — as at July 1 (opening) .....</b>		235,168.00	—
<b>Add — Surplus arising from conversion of loans payable to share capital</b>		—	235,168.00
— Surplus arising from sale of share purchase warrants		<u>10,000.00</u>	
<b>Surplus — as at June 30</b>		<u>\$245,168.00</u>	<u>\$235,168.00</u>
	CAPITAL SURPLUS		
<b>Balance — as at June 30</b>		<u>\$33,144.42</u>	<u>\$33,144.42</u>

**COMMODORE BUSINESS MACHINES (CANADA) LIMITED****CONSOLIDATED BALANCE SHEET****(with comparative)****ASSETS**

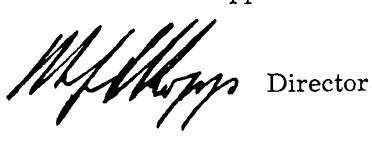
	1963	1962
<b>CURRENT ASSETS</b>		
Cash on Hand and in Banks .....	\$ 302,824.89	\$ 445,027.02
Accounts and Notes Receivable .....	1,272,584.01	1,091,319.94
Less — Provision for Doubtful Accounts .....	(47,386.97)	(23,912.31)
Discounts, Deposits and Refunds Receivable .....	73,599.67	41,287.31
Advances to Shareholder .....	7,036.38	12,189.30
Loans Receivable .....	9,298.60	57,635.37
Prepaid Expenses .....	6,776.46	9,016.50
Merchandise Inventory (at lower of cost or market) .....	1,881,423.48	1,704,651.59
	<u>\$3,506,156.52</u>	<u>\$3,337,214.72</u>
<b>INVESTMENTS AND ADVANCES</b>		
Investments in other Corporations (2) .....	1,137,033.66	—
Advances to other Corporations (3) .....	234,313.00	92,097.92
	<u>\$1,371,346.66</u>	<u>\$ 92,097.92</u>
<b>FIXED ASSETS (at cost)</b>		
Tools, Equipment, Furniture and Fixtures .....	54,809.66	40,002.78
Dies and Moulds .....	45,488.09	37,335.11
Automotive Equipment .....	32,410.98	18,830.77
Leasehold Improvements .....	23,203.73	1,958.63
	155,912.46	98,127.29
Less — Accumulated Depreciation .....	60,197.05	27,024.66
	<u>\$ 95,715.41</u>	<u>\$ 71,102.63</u>
<b>OTHER ASSETS</b>		
Notes Receivable .....	—	40,805.35
Franchise and Manufacturing Rights .....	31,000.00	31,000.00
Organization Expense .....	5,534.99	4,906.29
Deferred Market Development Costs .....	56,671.11	—
Goodwill .....	113,874.83	—
Commissions and Expenses on Sale of:		
Capital Stock .....	89,548.71	86,120.03
Debentures (less amortization) .....	75,017.17	—
	<u>\$371,646.81</u>	<u>\$162,831.67</u>
<b>TOTAL ASSETS</b>	<u>\$5,344,865.40</u>	<u>\$3,663,246.94</u>

See notes to the consolidated balance sheet, which form an integral part of the above and should be read in conjunction therewith.

**AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES (1)****AS AT JUNE 30, 1963****figures for 1962)**

<b>LIABILITIES</b>		
	1963	1962
<b>CURRENT LIABILITIES</b>		
Accounts and Notes Payable	\$806,052.58	\$1,023,941.70
Bank Loans (4) .....	50,000.00	—
Sales, Excise and Withholding Taxes Payable	28,505.52	12,218.75
Provision for Income Taxes Payable	132,150.89	74,789.71
Advances from Shareholders .....	—	50,000.00
Loans and Notes Payable (unsecured)	327,615.03	—
Advances from Finance Companies .....	658,896.70	848,051.98
Long Term Notes Payable — Current Portion (5)	102,957.00	55,927.04
	<u>\$2,106,177.72</u>	<u>\$2,064,929.18</u>
<b>LONG TERM LIABILITIES (5) (6)</b>		
Long Term Notes .....	351,769.75	459,322.96
7% Convertible (Subordinated) Sinking Fund Debentures Series "A" .....	1,000,000.00	—
7% Convertible (Subordinated) Sinking Fund Debentures Series "B" .....	600,000.00	—
	<u>\$1,951,769.75</u>	<u>\$459,322.96</u>
<b>TOTAL LIABILITIES</b>		
	<u>\$4,057,947.47</u>	<u>\$2,524,252.14</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (7)</b>		
AUTHORIZED:		
2,000,000 Common Shares Without Par Value		
ISSUED AND FULLY PAID:		
816,000 Common Shares Without Par Value	751,032.00	751,032.00
<b>SURPLUS</b>		
Earned Surplus .....	257,573.51	119,650.38
Contributed Surplus	245,168.00	235,168.00
Capital Surplus	33,144.42	33,144.42
	<u>\$1,286,917.93</u>	<u>\$1,138,994.80</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
	<u>\$5,344,865.40</u>	<u>\$3,663,246.94</u>

Approved on behalf of the Board of Directors:

 Director       Director

**NOTES TO THE CONSOLIDATED BALANCE SHEET  
AS AT JUNE 30, 1963**

(1) The accounts of the following wholly-owned subsidiaries are included in the consolidated statements:	(5) Long term liabilities				
—Commodore Drycopy Limited—Toronto, Ontario	(a) Long term notes — 8.8% — collaterally secured by a first floating charge debenture registered against the assets of the company. The final payments are due on September 30, 1968.				
—Commodore Drycopy, Inc.—New York, New York	(b) 7% convertible sinking fund debentures series "A", maturing November 1, 1974 are secured by a floating charge on all property and assets of the company, subject only to a prior first floating charge (Note 5a) and bank and finance company loans made in the ordinary course of business not to exceed \$1,000,000.00 in the aggregate principal amount.				
—Commodore Business Machines, Inc.—New York, New York	(c) 7% convertible sinking fund debentures series "B", maturing May 1, 1975 are secured by a floating charge on all property and assets of the company, subject only to prior floating charges (Notes 5a and 5b) and bank and finance company loans made in the ordinary course of business not to exceed \$1,000,000.00 in the aggregate principal amount.				
—Humber Typewriter and Business Equipment Limited—Toronto, Ontario	(d) The trust indentures pursuant to which the 7% convertible sinking fund debentures series "A" and series "B" are issued, contain provisions restricting the payment of dividends by the company and restricting the issue of any additional debentures.				
For the purposes of consolidation, the current assets and all liabilities of the United States subsidiaries have been converted at the rate of exchange prevailing at the balance sheet date, and expenses and revenues at the average rate of exchange for the year. The fixed and other assets have been converted at the rate of exchange prevailing at the time of acquisition.	(e) The following shares have been reserved:				
(2) Investments in other corporations are as follows:	(a) For the exercise of 200,000 share purchase warrants, of which 100,000 accompany the 7% sinking fund debentures series "A". These warrants entitle the holders thereof to purchase fully paid and non-assessable common shares at \$4.50 per share if exercised on or after July 1, 1963 and on or before November 1, 1974. The share purchase warrants will be void after November 1, 1974. shares				
Willy Feiler Zahl-Und Rechenwerke GMBH — West Germany - - - - - \$ 839,143.72	(b) For the exercise of the conversion privilege attached to the 7% convertible sinking fund debentures series "A", wherein the holders thereof may convert the said debentures into fully paid and non-assessable common shares at the rate of \$4.00 per share. The conversion privilege expires on October 31, 1974. shares				
A balance of \$408,750.00 remains to be paid on subscriptions for 100% of the capital stock of this company. When paid, the total investment will be \$1,247,893.72. This above amount includes legal fees and other expenses totalling \$162,175.37 incurred in order to acquire the company. The accounts of Willy Feiler Zahl-Und Rechenwerke GMBH are not consolidated because this company was acquired during the fiscal year of the parent company and no audited statements have been prepared since acquisition.	(c) For options granted to employees to purchase fully paid and non-assessable common shares at \$2.65 per share. at \$4.05 per share. 40,000 shares				
Analogue Controls, Inc.—New York, New York 276,343.66	(d) For the exercise of 120,000 share purchase warrants which accompany the 7% convertible sinking fund debentures series "B". These warrants entitle the holders thereof to purchase fully paid and non-assessable common shares at \$5.50 per share if exercised on or after July 1, 1963 and on or before May 1, 1975. The share purchase warrants will be void after May 1, 1975. shares				
Amounts totalling \$10,853.66 representing interest charges on loans obtained to acquire these shares have been included herein. The total number of shares held is 203,900 which represents 49.34% of the outstanding common stock as at the last published balance sheet (October 31, 1962). Market value as at balance sheet date, \$214,095.00.	(e) For the exercise of the conversion privilege attached to the 7% convertible sinking fund debentures series "B", wherein the holders thereof may convert the said debentures into fully paid and non-assessable common shares at the rate of \$5.00 per share. The conversion privilege expires on April 30, 1975. shares				
Commodore Drycopy (Philadelphia), Inc. — Philadelphia, Penn. - - - - - 5,482.50	TOTAL - - - - - \$1,137,033.66				
Representing the total cost of acquisition of 50% of the outstanding stock of this company.	TOTAL - - - - - \$1,137,033.66				
Commodore Business Machines (Canada) Ltd. 16,063.78	(3) Advances to other corporations are as follows: 1963 1962				
Representing the cost of purchase of 3,572 shares of the parent company by Commodore Business Machines, Inc. Market value as at balance sheet date, \$16,074.00.	Commodore Industries Limited—Jamaica -- \$92,097.92				
TOTALS - - - - - \$234,313.00 —	Willy Feiler Zahl-Und Rechenwerke GMBH \$234,313.00 —				
(4) Bank loans are secured by the general assignment of accounts receivable of Humber Typewriter and Business Equipment Limited.	TOTALS - - - - - \$234,313.00 \$92,097.92				
	TOTAL - - - - - 750,000 shares				

**AUDITORS' REPORT**

To the Shareholders,  
Commodore Business Machines (Canada) Limited,  
Toronto, Ontario.

We have examined the consolidated balance sheet of Commodore Business Machines (Canada) Limited and its wholly-owned subsidiaries as at June 30, 1963 and the statement of consolidated earnings and the statements of consolidated surplus for the year ended on that date. In connection with the parent company and its two wholly-owned Canadian subsidiaries, our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

The accounts of the American subsidiaries were examined by Mr. Leon Davis, Certified Public Accountant, resident in New York City, and are included in the consolidated statements on the basis of his report, qualified by the fact that "although I was not in attendance at the taking of physical

inventory as at June 30, 1963, I have conducted an examination of the inventory records and other supporting evidence and I have been satisfied that the inventory is reasonable and has been valued at the lower of cost or market, consistent with the method applied in previous years."

In our opinion, based on our examination and the report of the New York auditor, and according to the best of our information and explanations given to us, the accompanying consolidated balance sheet and the related statements present fairly the financial position of the company as at June 30, 1963 and the results of its operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent, in all material respects, with that of the preceding year.

Toronto, September 30, 1963.

Rose & Harrison,  
Chartered Accountants.



○ Administrative Offices

★ Factories

● Distributors

ARGENTINE

AUSTRALIA

AUSTRIA

BELGIUM

BRITISH GUIANA

CANADA

CANARY ISLANDS

CEYLON

COSTA RICA

DENMARK

ENGLAND

FIJI

FINLAND

FRANCE

GERMANY

GHANA

GREECE

GRENADA W.I.

GUADELOUPE

GUATEMALA

HOLLAND

HONG KONG

ISRAEL

ITALY

IVORY COAST

JAPAN

KOREA

LEBANON

LICHSTENSTEIN

MADEIRA

MALAYA

MALTA

MAURITIUS

MEXICO

MOROCCO

NEW CALEDONIA

NEW ZEALAND

NIGERIA & WEST AFRICA

NORWAY

PAKISTAN

PERU

PHILLIPINES

PORTUGAL

PUERTO RICO

RHODESIA

SENEGAL

SEYCHELLES

SOUTH AFRICA

SPAIN

SWITZERLAND

THAILAND

TRINIDAD

UNITED STATES

VENEZUELA





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